

Message Text

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ORIGIN STR-04

INFO OCT-01 IO-13 ISO-00 STRE-00 FEA-01 AGRE-00 CEA-01

CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02

OMB-01 XMB-02 AF-08 ARA-06 EA-07 EUR-12 NEA-10 OIC-02

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DRAFTED BY STR/HLAWRENCE:JEH

APPROVED BY STR/WBKELLY,JR

EB/ITP/TA:RMEYERS

INTERIOR:HANDERSEN

LABOR:WRENISON

TREASURY:EGREENE/COUELLETTE

COMMERCE:BFRANCIS

ITC:WHART

AGRICULTURE:JHOLQUIST

EX-IM BANK:DCHENEY

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FM SECSTATE WASHDC

TO USMISSION GENEVA PRIORITY

INFO USDEL MTN GENEVA PRIORITY

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E.O. 11652: N/A

TAGS: ETRD, GATT

SUBJECT: POSITION PAPER FOR GATT WP ON EXPORT INFLATION
INSURANCE

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REF: GENEVA 8435

1. TPSC HAS CLEARED SUBJECT POSITION PAPER (TPSC 76-56, WHICH WAS HAND CARRIED TO GENEVA BY SHARK OF COMMERCE ON OCTOBER 29) WITH THE FOLLOWING CHANGES:

A. PAGE 2, LINE 6--CHANGE "THESE" TO "EXISTING."

B. PAGE 3, LINE 2--LINE NOW READS "...U.S. REPRESENTATIVE SHOULD REJECT IT ON THE GROUNDS THAT INSURANCE AGAINST FLUCTUATIONS IN EXCHANGE RATES DOES NOT ATTENUATE OR MITIGATE THE EFFECTS OF COST INFLATION."

C. PAGE 3, LINES 3 AND 4--LINES NOW READ "A PROPOSAL TO TAKE UP DISC SHOULD BE REJECTED ON THE GROUNDS THAT THE ISSUE HAS BEEN UNDER EXTENSIVE REVIEW BY ANOTHER GATT PANEL, WHICH WE UNDERSTAND HAS JUST ISSUED A FINDING ON DISC AND CERTAIN INCOME TAX PRACTICES OF BELGIUM, NETHERLANDS, AND FRANCE. WE HAVE NOT YET RECEIVED THE PANEL'S REPORTS AND, THUS, CANNOT COMMENT FURTHER ON THIS SUBJECT AT THIS TIME."

D. PAGE 3, LINE 10--LINE NOW READS "...SCHEMES HAVE A LARGER SUBSIDY ELEMENT THAN OTHERS."

E. PAGE 3, LINES 11 AND 12 ARE OMITTED.

F. PAGE 3, LINES 20-22--LINES NOW READ "...COST OF INFLATION. THE SCHEMES FOSTER THE MISALLOCATION OF RESOURCES BY ENCOURAGING HIGHER RETURNS FOR EXPORTED GOODS THAN FOR DOMESTIC GOODS. IN ADDITION, THE SCHEMES VERY LIKELY RESULT IN LOWER PRICES OF EXPORTED GOODS IN COMPARISON WITH THE DOMESTIC PRICES OF THE SAME GOODS."

G. PAGE 4, LINE 2--LINE NOW READS "...INTERNAL TRADE. IF APPROPRIATE, THE DELEGATION SHOULD MAKE THIS ASSERTION SO IT BECOMES A PART OF THE RECORD."

H. PAGE 4, LINES 23 AND 24--LINES NOW READ "...TAKEN THIS POSITION) AND POINT OUT THAT CONTRACTING PARTIES HAVE A LEGITIMATE INTEREST IN EXAMINING THE SUBSIDIZATION...."

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I. PAGE 5, LINE 1--ADD NEW SENTENCE TO INSTRUCTION 7--
"THESE SCHEMES SHOULD ALSO HAVE BEEN NOTIFIED UNDER ARTICLE XVI:1 BY THE COUNTRIES IMPOSING THEM."

J. PAGE 5, LINES 15 AND 16--THESE LINES NOW READ "IN THE GATT, WE FREQUENTLY EXPRESSED THE OPINION THAT EXISTING SCHEMES ARE CONTRARY TO ARTICLE XVI:4, AND SHOULD HAVE BEEN NOTIFIED UNDER ARTICLE XVI:1. WE NOTIFIED THE...."

K. PAGE 7, LINES 1-4--LINES NOW READ "...OTHER ACCEPTED MONETARY, FISCAL, AND INSURANCE MEASURES. WE FEEL THAT THE AGENDA OF THIS WORKING PARTY SHOULD BE RESTRICTED TO PROGRAMS DESIGNED TO EXERT A SIGNIFICANT AND DIRECT IMPACT ON EXPORT PRICES. OUR PRINCIPAL CONCERN...."

L. PAGE 7, LINE 6--CHANGE "THESE" TO "VARIOUS."

M. PAGE 7, LINE 21--LINE NOW READS "...ANY USEFUL PURPOSE BE SERVED AND EVEN THEN THE EFFECT OF THE PROGRAMS ON BIDDING COULD NOT BE ASSESSED. IT IS UNLIKELY, HOWEVER, THAT...."

2. REGARDING ISSUES RAISED IN REFTTEL, WASHINGTON HAS THE FOLLOWING COMMENTS:

A. PAPER CONTAINS SUFFICIENT INFORMATION FOR INITIAL U.S. PRESENTATION AT MEETING.

B. OECD DOCUMENTS--U.S. REP MAY AGREE TO CIRCULATION OF OECD DOCUMENTS ON EXPORT INFLATION INSURANCE AT MEETING. WE ASSUME THAT RELEVANT OECD DOCUMENTS ARE COMPILATIONS OF FACTUAL DATA ON SUCH SCHEMES.

C. SELF-FINANCING--U.S. REP SHOULD NOTE, IF ISSUE IS RAISED, THAT THERE IS NO EVIDENCE THAT ANY OF SCHEMES IN QUESTION ARE SELF-FINANCED. REP MAY INVITE WP MEMBERS WITH SUCH SCHEMES WHO CONTEND THAT THEY ARE SELF-FINANCING TO EXPLAIN HOW THIS IS DONE. THE U.S. IS WILLING TO EXAMINE THIS ISSUE IN DETAIL IF IT CAN BE SHOWN THAT ANY OF THE SCHEMES ARE, IN FACT, SELF-FINANCED.

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D. THRESHOLD RATES--U.S. REP MAY POINT OUT, IF ISSUE IS RAISED, THAT THE THRESHOLD LEVEL AS RELATED TO THE ANTICIPATED RATE OF INFLATION IS RELEVANT TO THE POPULARITY OF A PARTICULAR SYSTEM AMONG EXPORTERS BUT IN ITSELF DOES NOT DETERMINE WHETHER A SYSTEM IS MORE OR LESS OBJECTIONABLE. THE THRESHOLD LEVEL MUST BE CONSIDERED IN CONJUNCTION WITH COSTS TO THE TREASURY AND THE EFFECT OF THE INSURANCE COVERAGE ON BIDDING BEHAVIOR TO ASSESS THE TRADE EFFECT OF A PROGRAM.

E. INACTIVE SCHEMES--WE AGREE THAT WE SHOULD RESIST SUGGESTIONS THAT SCHEMES ARE INNOCUOUS UNLESS ACTIVATED BECAUSE OF POTENTIAL TRADE-DISTORTING EFFECTS AND ENCOURAGEMENT THEY PROVIDE FOR OTHERS TO ESTABLISH SIMILAR SCHEMES. KISSINGER

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